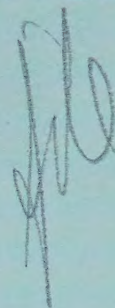


# CONSOLIDATED CANADIAN FARADAY LIMITED

AR47



ANNUAL REPORT 1968



## CONSOLIDATED CANADIAN FARADAY LIMITED

### Directors:

W. CLARKE CAMPBELL  
H. BRODIE HICKS  
ASHTON W. JOHNSTON  
JULES LOEB  
DANIEL L. MARCUS  
JOHN K. MCCAUSLAND  
GEORGE PERLEY-ROBERTSON  
GEORGE T. SMITH  
ARCHIBALD B. WHITELAW

### Officers:

ASHTON W. JOHNSTON, *President*  
DANIEL L. MARCUS, *Executive Vice-President*  
H. BRODIE HICKS, *Vice-President, Operations*  
LESLIE E. WETMORE, *Secretary*  
WILLIAM M. O'SHAUGHNESSY, *Treasurer*  
JOHN A. KING, *Assistant Secretary-Treasurer*

### Registrar and Transfer Agent:

GUARANTY TRUST COMPANY OF CANADA  
Toronto, Montreal, Vancouver

### Co-Transfer Agents:

BANK OF MONTREAL TRUST COMPANY  
New York

### Auditors:

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Toronto

### Mine Office:

Werner Lake, Ontario

### Head Office:

Suite 1600, 100 Adelaide Street West, Toronto, Ontario



## Directors' Report

### to the Shareholders:

The Directors are pleased to present the Annual Report for the year ended December 31, 1968, including the Consolidated Financial Statements and the Auditors' Report thereon.

The response to the recent rights offering by your Company was most gratifying. In excess of \$2,600,000 (Canadian) was subscribed.

### MASKWA PROJECT

A major development during the year was the conclusion of an agreement with Maskwa Nickel Chrome Mines Limited under which Faraday will bring into production Maskwa's nickel-copper property, situated some 26 miles from Faraday's presently producing Werner Lake operation. Maskwa, which is controlled by Falconbridge Nickel Mines Limited, has ore reserves indicated by surface diamond drilling, of approximately 1,350,000 tons, grading 1.06% nickel and 0.34% copper after allowing for mining dilution. Under the agreement, Faraday will prepare the mine for production at a rate of 700 tons per calendar day and, at the same time, enlarge the Werner Lake mill to a daily capacity of 1,200 tons so as to treat the Maskwa production in addition to 500 tons-per-day from Werner Lake.

A new, private company, Dumbarton Mines Limited, owned equally by Faraday and Maskwa, has been incorporated to operate the new venture. Faraday is advancing to Dumbarton the funds necessary to place the new mine into production and is entitled to recover these advances, with interest, from the first proceeds of the operation. Thereafter profits will be equally divided between Faraday and Maskwa. The project is well advanced with production scheduled for the beginning of July 1969.

The cost of the Maskwa project has been estimated at \$2,400,000. In order to provide an interim source of funds, the Company sold \$1,500,000 principal amount of 7½% convertible notes. These notes are being retired out of the proceeds of the rights offering; however, to the



extent that rights have not been exercised by shareholders, the noteholders may convert to common shares at the offering price.

### URANIUM

The anticipated demand for uranium as a nuclear fuel has led to a very wide-spread exploration activity throughout North America with expenditures, principally for drilling, on a scale exceeding those of the "uranium boom" of the 1950's. Faraday is participating in this activity through its interest in the original Faraday mine near Bancroft, Ontario, and in general uranium exploration.

The Faraday uranium mine and mill produced over 5,800,000 pounds of uranium oxide between 1957 and 1964, when the operation was suspended due to lack of markets for the product. Under an agreement with Federal Resources Corporation, of Salt Lake City, Utah, a program of underground development and plant rehabilitation has been under way throughout the past year, with gratifying results. Contracts for the sale of uranium oxide are currently being sought and as soon as a satisfactory outlet can be assured, it is planned to resume production.

Under the terms of its agreement with Faraday, Federal may earn a 51% interest in the property by providing all of the funds for exploration and for plant rehabilitation. Faraday would retain 49% and, in addition, receive \$1,000,000 out of production. Federal must elect on or before July 1, 1970 to provide such funds to the project.

With respect to exploration, the Company, on its own behalf or through participation in syndicates, holds a number of claim groups in Ontario and Quebec and is continuing a broad, aerial prospecting program. Through associated com-



panies, minor property interests are held in the Wollaston Lake area of Saskatchewan. It will be the policy of the Company actively to pursue the search for uranium in the years ahead.

## PRODUCTION

The Company's Werner Lake nickel-copper-precious metals mine operated throughout the year. Operating economies were introduced which successfully offset the inflationary effects of higher wages and material costs. A lowering in the grade of ore treated, however, resulted in a decline in income from operations. This trend will continue through the first half of the current year, but is expected to be reversed when the Dumbarton mine comes into production about the beginning of July. Doubling of the milling rate will result in substantial improvement in per-ton costs. At the same time, the change-over to more efficient, sub-level blast-hole stopes at Werner Lake will be virtually complete.

At the molybdenite property of Red Mountain Mines Limited, in which the Company has a 20% interest, operating improvements permitted an increase in throughput to 600 tons-per-day from the original design capacity of 400 tons-per-day and this higher production rate offset a somewhat lower grade of ore treated. Unfortunately, premium prices for molybdenite under which the mine originally operated are no longer obtainable, and the operation now is on a marginal basis.

## POTASH

The current world situation of over-supply in the potash industry continues to preclude initiation of production at Prairie Potash Mines Limited. Preliminary exploration of the deposit, situated in southwestern Manitoba, has been completed and feasibility reports, prepared by independent consultants, have indicated a profitable ore body under normal market conditions. Faraday owns approximately 33% of the issued

capital in Prairie Potash. The Canadian Nickel Company Ltd., a wholly-owned subsidiary of The International Nickel Company of Canada Limited, holds in excess of 50% of the issued capital.

## GENERAL EXPLORATION

An active exploration policy was pursued throughout the year. While the Company maintains its own geological and engineering staff and pursues exploration work directly on its own behalf, increasing emphasis, in recent years, has been placed on participation in syndicates or participation in other exploration companies through purchase of share interests. Modern exploration techniques are costly and are best applied to comparatively large claim blocks and this policy permits Faraday to take part in a number of projects rather than to expand a major portion of its available funds in a single area. The overall cost of the exploration program for the year, including property and share acquisitions, was \$423,675.

Further details of both production and exploration activities will be found in the report of the Vice-President, Operations, submitted herewith.

The Directors are pleased to acknowledge the loyal and efficient services of the Company's personnel during the year and, in particular, those of the two Mine Managers, Mr. C. P. Moore at Werner Lake and Dumbarton, and Mr. B. C. Fillingham at Red Mountain Mines.

On Behalf of the Board,



President.

Toronto, Ontario,  
June 9, 1969.



## CONSOLIDATED CANADIAN FARADAY LIMITED

# Report on Operations

This report summarizes the operations of the company for the year ended December 31, 1968:

### BANCROFT DIVISION

Federal Resources Corporation continued its program of underground development at the Bancroft mine with excellent results. Work completed during the year included 3,300 feet of cross-cutting and drifting, 720 feet of raising and 19,000 feet of underground diamond drilling. Ore reserves at year-end were reported by Federal as in excess of 700,000 tons grading 0.159% U<sub>3</sub>O<sub>8</sub>. The work is continuing with the favourable structure still open laterally and to depth.

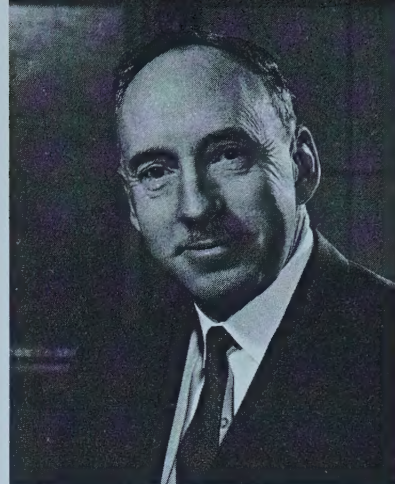
Minor plant rehabilitation was carried out during the year.

### WERNER LAKE DIVISION

**Production:** The mine operated throughout the year at an average daily rate of 569 tons. There were 18,609 tons of concentrate produced with a recoverable metal content of 3,133,094 pounds of nickel, 1,732,535 pounds of copper, 850 ounces of platinum and 5,777 ounces of palladium. Metal production was about 20% below that for the preceding year due to lower grade of ore mined and slightly lower tonnage treated. The concentrates were sold to The International Nickel Company of Canada Limited at Sudbury, Ontario.

**Milling:** Performance figures are tabulated below with comparative data for the four preceding years:

	1968	1967	1966	1965	1964
Tons Milled	207,417	214,536	211,228	184,364	192,874
Heads:					
Nickel, %	1.05	1.17	1.28	1.36	1.22
Copper, %	0.53	0.58	0.62	0.64	0.57
Tails:					
Nickel, %	0.22	0.21	0.22	0.22	0.20
Copper, %	0.05	0.06	0.07	0.06	0.06
Concentrates:					
Nickel, %	9.47	10.25	10.64	11.15	10.74
Copper, %	5.33	5.55	5.52	5.54	5.53
Recovery:					
Nickel, %	80.8	83.5	84.8	85.4	85.1
Copper, %	90.7	90.8	90.3	91.8	89.9



**Ore Reserves:** Reserves as at December 31, 1968, are tabulated below:

	Tons	% Nickel	% Copper
Proven Ore	357,180	1.08	0.51
Probable Ore	236,088	1.13	0.53
	593,268	1.10	0.52

**Costs:** As noted in last year's report, a reduction in manpower with anticipated comparative reduction in costs is being sought through the adoption of sub-level, long-hole stoping in place of cut-and-fill. While a significant reduction in the work force was achieved, the effects were unfortunately nullified through the lower grade of ore treated and the inflationary effects of higher wages and higher cost of materials. The effort to reduce costs continues and will be significantly advanced when Dumbarton Mines comes into production in the middle of the current year, doubling the mill throughput. Comparative cost figures follow:

	1968	1967	1966	1965	1964
Development	\$ 0.73	\$ 1.02	\$ 0.41	\$ 0.76	\$ 0.77
Mining	10.33	9.79	10.14	9.20	7.78
Milling	2.38	2.34	2.06	1.86	1.76
Marketing	1.67	1.77	1.77	1.76	1.59
	<u>\$15.11</u>	<u>\$14.92</u>	<u>\$14.38</u>	<u>\$13.58</u>	<u>\$11.90</u>

Capital expenditures totalled approximately \$50,000.

### DUMBARTON MINES LIMITED

The known ore bodies on this property do not extend beyond a depth of about 500 feet and hence it has been possible to adopt a novel method of development in preparing the mine for production. Instead of a conventional shaft, an inclined entry-way is being driven at an angle of 15 degrees through which the crushed ore will be transported by conveyor belt to the surface bins.



## CONSOLIDATED CANADIAN FARADAY LIMITED

At year-end, the incline, which will have a total length of 2,300 feet, had advanced 1,623 feet; 1,077 feet of drifting and cross-cutting and 280 feet of raising had been completed. The surface plant was well advanced. Expenditures to year-end at Dumbarton and for mill expansion totalled approximately \$1,375,000.

### RED MOUNTAIN MINES LIMITED

**Production:** The mine and mill operated continuously throughout the year at an average rate per calendar day of 540 tons. Production of molybdenum oxide totalled 916,817 pounds.

The original "A" ore body was exhausted by mid-year and subsequent production has been obtained from the "lower B" ore body, which is of lower grade.

**Milling:** Operating data for the year are compared with those for 1967 in the table below:

	1968	1967
Tons Milled .....	196,397	159,711
MoS <sub>2</sub> , Heads .....	0.28%	0.42%
Tails .....	0.05%	0.07%
Concentrate .....	88.6 %	91.6 %
Recovery .....	82.67%	84.6 %

**Ore Reserves:** As at December 31, 1968, ore reserves are estimated as follows:—

	Tons	% MoS <sub>2</sub>
Proven .....	182,215	0.32
Probable .....	358,938	0.28
	<u>541,153</u>	<u>0.29</u>

**Costs:** Comparative cost figures for the year and for 1967 are given below:

	1968	1967
Development .....	\$0.31	\$0.18
Mining .....	0.93	0.86
Milling .....	2.17	2.62
General Expense .....	0.95	1.11
	<u>\$4.36</u>	<u>\$4.77</u>

Capital and deferred expenditures totalled \$237,321, of which the major item was construction of a new tailings pond having an ultimate capacity of 1,000,000 tons.

**Exploration:** No exploration work was carried out during the year, but a program of diamond drilling and percussion drilling will start early in April, 1969. This work is designed, first, to

confirm estimated ore reserve tonnages and, second, to broaden the search for additional ore.

### EXPLORATION

Consolidated Canadian Faraday holds an approximate 20% interest in Bernack Coppermine Exploration Limited which is exploring large claim holdings in the Coppermine River area of the Northwest Territories. Diamond drilling has established a zone of good copper mineralization over a length of 500 feet and to a depth of 300 feet. Other drill targets have been indicated by geophysical surveys. A program of further diamond drilling and geophysical surveying will be undertaken this year.

In Villebon Township, Quebec, a geophysical survey, followed by diamond drilling, carried out on a 38-claim group, revealed nickel and copper values, although no ore shoots were discovered. At the present time, negotiations are being carried out with a major exploration company which has expressed an interest in carrying out further work.

On the uranium front, the company is active on its own behalf, or in partnership with others, in two areas in Quebec and two in Ontario and is participating to the extent of approximately 20% in a large-scale program of aerial prospecting.

A similar interest has been taken in a large claim group in the Artillery Lake area of the Northwest Territories where geophysical work, undertaken during the winter, indicated base metal targets for diamond drilling which it is planned to carry out this summer.

Work on the silver-copper property of Henrietta Mines Limited, in Colorado, failed to develop ore but did indicate a strong break with intermittent good values. Further work may be justified.

Respectfully submitted,



H. BRODIE HICKS,  
Vice-President, Operations.

Toronto, Ontario,  
April 7, 1969.

**CONSOLIDATED CANADIAN FARADAY LIMITED***(Incorporated under the laws of Ontario)*

and consolidated subsidiaries

**CONSOLIDATED BALANCE SHEET**

December 31, 1968

(with comparative figures at December 31, 1967)

**ASSETS**

	1968	1967 (note 1)
<b>CURRENT ASSETS</b>		
Cash and short-term deposits .....	\$ 457,381	\$ 175,930
Accounts receivable .....	109,581	228,625
Outstanding settlements and concentrates, at estimated net realizable value	941,410	1,104,133
Supplies and prepaid expenses .....	397,486	347,259
	<u>1,905,858</u>	<u>1,855,947</u>
<b>INVESTMENT IN NON-CONSOLIDATED SUBSIDIARY COMPANIES</b>		
Shares, at cost .....	36,403	36,403
Advances .....	57,000	55,000
	<u>93,403</u>	<u>91,403</u>
Less allowance for losses .....	57,000	55,000
	<u>36,403</u>	<u>36,403</u>
<b>OTHER INVESTMENTS (note 2) .....</b>	<u>2,288,690</u>	<u>2,276,915</u>
<b>FIXED ASSETS</b>		
Buildings, plant and equipment, at cost .....	10,803,310	10,541,617
Less accumulated depreciation .....	8,424,640	8,045,671
	<u>2,378,670</u>	<u>2,495,946</u>
Mining claims, rights, properties and leases at cost less accumulated depletion of \$409,609 (note 3) .....	485,169	568,088
	<u>2,863,839</u>	<u>3,064,034</u>
<b>OTHER ASSETS</b>		
Advances to unaffiliated companies .....	195,329	198,366
Receivable from officer and directors .....	27,800	67,233
Interest in power line, at cost less recoveries .....	75,975	101,776
Deferred mine development expenditures less amortization .....	108,884	166,841
Note discount and mortgage costs, less amortization .....	64,619	5,750
	<u>472,607</u>	<u>539,966</u>
	<u>\$ 7,567,397</u>	<u>\$ 7,773,265</u>





## LIABILITIES

	1968	1967 (note 1)
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities .....	\$ 414,826	\$ 232,007
7½ % Convertible notes (note 4) .....	1,500,000	
	<u>1,914,826</u>	<u>232,007</u>
<b>LONG-TERM LIABILITIES</b>		
6½ % Mortgage payable in instalments to September 1, 1976, less current portion included in accounts payable .....	156,649	174,680
	<u>2,071,475</u>	<u>406,687</u>
<b>COMMITMENT (note 8)</b>		
 <b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 5)</b>		
Authorized — 3,500,000 shares of no par value (68,542 reserved for stock options; 81,458 in 1967)		
Issued — 2,548,681 shares (2,535,765 shares in 1967) .....	3,430,148	3,397,233
<b>CONTRIBUTED SURPLUS (note 6)</b> .....	1,506,061	1,506,061
<b>RETAINED EARNINGS</b> .....	559,713	2,463,284
	<u>5,495,922</u>	<u>7,366,578</u>
 Approved by the Board:		
A. W. JOHNSTON, Director.		
H. BRODIE HICKS, Director.		
	<u>\$ 7,567,397</u>	<u>\$ 7,773,265</u>

## AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and consolidated subsidiaries as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving effect in that year to the changes in the basis of consolidation and accounting practice explained in note 1, which changes we approve.

Toronto, Canada  
January 28, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON,  
Chartered Accountants.

**CONSOLIDATED CANADIAN FARADAY LIMITED**

and consolidated subsidiaries

**CONSOLIDATED STATEMENT OF INCOME**

Year Ended December 31, 1968

*(with comparative figures for 1967)*

	1968	1967 (note 1)
Production of concentrates .....	\$3,330,332	\$3,912,069
Rental and other income .....	208,298	146,672
	<u>3,538,630</u>	<u>4,058,741</u>
Operating expenses (including mortgage interest of \$13,000 in 1968 and \$13,300 in 1967) .....	3,507,364	3,500,813
	<u>31,266</u>	<u>557,928</u>
Depreciation .....	414,275	386,389
Amortization of deferred development expenditures .....	84,534	81,889
	<u>498,809</u>	<u>468,278</u>
Profit (loss) before undernoted items .....	(467,543)	89,650
Financing expenses .....	108,369	
Outside exploration .....	282,354	72,055
Allowance for losses		
Non-consolidated subsidiaries .....	2,000	27,800
Other investments .....	979,680	
Cost of mining claims abandoned .....	63,625	13,117
	<u>1,436,028</u>	<u>112,972</u>
Loss for the year (note 7) .....	<u>\$1,903,571</u>	<u>\$ 23,322</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

Year Ended December 31, 1968

*(with comparative figures for 1967)*

	1968	1967 (note 1)
Retained earnings at beginning of year (note 6) .....	\$2,463,284	\$2,486,606
Loss for the year .....	1,903,571	23,322
Retained earnings at end of year .....	<u>\$ 559,713</u>	<u>\$2,463,284</u>



**CONSOLIDATED CANADIAN FARADAY LIMITED**

and consolidated subsidiaries

**CONSOLIDATED STATEMENT OF SOURCE  
AND APPLICATION OF FUNDS**

Year Ended December 31, 1968

*(with comparative figures for 1967)*

	<u>1968</u>	<u>1967</u>
Source of funds		
Operations		
Depreciation, amortization and other items not involving a current outlay of funds . . . . .		\$ 511,228
Deduct loss for the year . . . . .		23,322
		<u>487,906</u>
Proceeds from sale of investments . . . . .	\$ 446,419	418,452
Issue of common shares . . . . .	32,915	11,375
Other . . . . .	65,751	110,485
	<u>545,085</u>	<u>1,028,218</u>
Application of funds		
Operations		
Loss for the year . . . . .	1,903,571	
Deduct depreciation, amortization and other items not involving a current outlay of funds . . . . .	1,549,967	
	<u>353,604</u>	
Advances to other companies, net . . . . .	1,317,796	50,130
Addition to fixed assets . . . . .	333,468	96,237
Purchase of investments . . . . .	59,876	278,839
Other . . . . .	113,249	140,151
	<u>2,177,993</u>	<u>565,357</u>
Increase (decrease) in working capital position . . . . .	(1,632,908)	462,861
Working capital at beginning of year . . . . .	1,623,940	1,161,079
Working capital (deficiency) at end of year . . . . .	<u>\$ (8,968)</u>	<u>\$1,623,940</u>

**CONSOLIDATED CANADIAN FARADAY LIMITED**

and consolidated subsidiaries

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 1968

**1. BASIS OF CONSOLIDATION AND CHANGE IN ACCOUNTING PRACTICE**

These financial statements consolidate the accounts of N M C Securities Limited and the following, additional, wholly-owned subsidiaries which were not previously included in consolidation but the losses of which had been fully provided for: Bancroft Holdings Limited, F M L Securities Limited, Waterfront Developments Limited, Farida, Inc., and Faramines, Inc.

Remtrol Limited (100% owned) and Greenoaks Mines Limited (53.06% owned) for which audited financial statements are not available and which, in the aggregate, are not material, are not included in the consolidation. These companies are not presently active and the principal asset of the former consists of deferred research expenditures and the principal assets of the latter consist of mining claims.

Because of the differing basis of consolidation adopted in 1968, comparative figures for 1967 have been restated.

The company has included as a charge in its statements of income outside exploration \$282,354 (\$72,055 in 1967), cost of mining claims abandoned \$63,625 (\$13,117 in 1967) and in 1967 obsolete Bancroft mine stores of \$8,000. In prior years such items were charged to retained earnings.

**2. OTHER INVESTMENTS**

These may be summarized as follows:

1968	Advances	Shares not in excess of cost	Allowance for losses	Total	Quoted market value
Companies for which there is a quoted market value . . . . .		\$ 651,103		\$ 651,103	\$ 565,656
Companies for which there is no quoted market value . . . . .	\$ 100,000	185,932		285,932	
	100,000	837,035		937,035	
Allowance for loss on above invest- ments . . . . .			\$ (200,000)	(200,000)	
Closely held companies					
Prairie Potash Mines Limited . . . . .		180,000		180,000	
Dumbarton Mines Limited . . . . .	1,171,654			1,171,654	
Red Mountain Mines Limited (6% income debentures)	979,680	1	(779,680)	200,001	
	<u>\$2,251,334</u>	<u>\$1,017,036</u>	<u>\$ (979,680)</u>	<u>\$2,288,690</u>	<u>\$ 565,656</u>
1967	<u>\$ 927,373</u>	<u>\$1,349,542</u>	<u>Nil</u>	<u>\$2,276,915</u>	<u>\$ 559,500</u>



These include instances of large share holdings where quoted market values are not necessarily indicative of amounts which might be realized if the shares were to be sold.

Included in the quoted market value is \$143,695 (\$111,500 in 1967) representing escrowed shares which have been valued at 50% of the quoted market value of free shares.

### 3. DEPLETION

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's present policy is to not make any provision in its accounts. Prior to amalgamation, one of the constituent companies did provide for depletion to the extent of \$409,609, which is still carried in the accounts.

### 4. 7½% CONVERTIBLE NOTES

To finance the preparation for mining of a nickel-copper deposit adjacent to the company's existing Werner Lake mine, the notes were issued November 8, 1968 at a 5% discount and mature August 31, 1969. They may be renewed for a further term of up to nine months.

It is intended that the notes will be retired out of the proceeds of a rights offering to shareholders (see note 5c). However, to the extent that authorized and unissued common shares of the company are available, the noteholders have the right, on termination of the rights subscription offer until the maturity date of the notes, to convert the notes and purchase shares at the subscription price.

### 5. CAPITAL STOCK

#### (a) Shares issued

In terms of present capitalization, shares have been issued as follows:

	No. of shares	Stated value
In 1967		
To the shareholders of the amalgamated companies:		
The Canadian Faraday Corporation Limited .....	\$1,213,542	\$1,651,101
Augustus Exploration Limited .....	750,498	750,498
To Metal Mines Limited, on acquisition of its net assets .....	567,350	984,259
	<u>2,531,390</u>	<u>3,385,858</u>
For cash, pursuant to option plans .....	4,375	11,375
Balance December 31, 1967 .....	<u>2,535,765</u>	<u>3,397,233</u>
In 1968		
For cash, pursuant to option plans .....	12,916	32,915
Balance December 31, 1968 .....	<u>\$2,548,681</u>	<u>\$3,430,148</u>

#### (b) Incentive option plans for key officers and personnel continued from constituent companies.

##### **Augustus Exploration Limited**

In 1965, 216,000 shares of the capital stock of Augustus were reserved under an incentive option plan. On amalgamation the reservation was reduced to 40,000 shares of capital stock of Faraday.

Options are exercisable within five years at market price on the date of grant, but at not less than \$2.50 per share.

Options on 6,667 shares at \$2.50 per share remain outstanding at December 31, 1968 (13,333 shares at December 31, 1967).

#### **Metal Mines Limited**

In 1966, 150,000 shares of the capital stock of Metal Mines were reserved under an incentive option plan. This reservation was subsequently reduced to 72,500 shares of capital stock of Faraday. Options are exercisable within ten years of the date of grant at not less than 85% of market price at that date. The options are restricted to the extent that a maximum 25% of the options granted become eligible for exercise in any one year.

Options on 61,875 shares at \$2.60 per share remain outstanding at December 31, 1968 (68,125 shares at December 31, 1967).

#### **(c) Rights subscription offer**

The company proposes to offer to its shareholders the right to subscribe for one additional common share for each three held at a price and on a date dependent upon acceptance of the company's prospectus for filing by the appropriate authorities.

### **6. CONTRIBUTED SURPLUS**

The contributed surplus amounts arose in connection with the issuance of the capital stock as of January 1, 1967 to effectuate the amalgamation. The only subsequent change was the transfer to contributed surplus of stock issue expenses of \$125,646 in connection with the amalgamation previously charged to retained earnings. Of this amount \$55,646 was a charge to retained earnings in 1967 and the balance, \$70,000, was a charge prior to 1967.

### **7. INCOME TAXES**

The company has available for Canadian income tax purposes as deductions from future taxable income depreciation, amortization and exploration expenditures aggregating approximately \$12,000,000.

### **8. COMMITMENT**

Pursuant to the terms of an agreement dated September 8, 1966 with Federal Resources Corporation, an unaffiliated company, that company was granted the right to investigate the commercial potential of the Bancroft (uranium) property. Federal may re-activate the property and purchase a 51% interest in it and provide certain operative funds. The company will retain a 49% interest. Under the terms of the agreement Federal has assumed responsibility for maintenance of the mine property.

### **9. OTHER STATUTORY INFORMATION**

Remuneration of directors and senior officers (as defined by The Corporations Act):

	1968	1967
Directors .....	\$ 80,608	\$ 53,400
Other employees .....	59,700	62,250







**CONSOLIDATED CANADIAN FARADAY LIMITED**





EDWARD PARKER PUBLIC RELATIONS LIMITED  
Suite 4202, Toronto-Dominion Centre,  
Toronto 1, Ontario.

April 8, 1968

MEMORANDUM - From M. E. Bogard

Attention: Analysts/Editors

Re: CONSOLIDATED CANADIAN FARADAY LIMITED

Here is an up-to-date resume of this company's structure, properties and exploration projects, for your current interest.

### CORPORATE STRUCTURE

The company in its present form is the result of consolidation, in May, 1967, of three business operations (all controlled by the same group) into a single corporate entity. The three corporations involved were: The Canadian Faraday Corporation Limited, Metal Mines Limited and Augustus Exploration Limited. Faraday was essentially a holding company and Metal Mining was its principal operating subsidiary. Augustus was an exploration company which also owned shares in other companies, including Faraday.

Consolidation was effected in two steps: first Faraday and Augustus were amalgamated, forming a new Ontario company, Consolidated Canadian Faraday Limited and then this new company acquired all the assets of Metal Mines Limited.

The authorized capital of Consolidated Faraday is 3 1/2 million n.p.v. common shares of which 2,535,765 were outstanding as of December 31, 1967. Outstanding incentive stock options carried over from the predecessor companies amount to 81,458 common shares, of which 68,125 are exercisable at \$2.60 per share and the balance of 13,333 at \$2.50 per share. These options expire in 1975 and 1970 respectively.

Financial statements for 1967 show a gross profit of 553.744 from sale of concentrates (\$490.019) and investment income (\$63.725), before allowances for depreciation, amortization and other loss items. Net profit for the year was \$69.850 or approximately 3¢ per common share outstanding.

The company's shares are listed on the Toronto, Canadian, Vancouver and American stock exchanges and are presently trading around Can. \$3.20.





## PROPERTIES AND INTERESTS

### Faraday uranium mine

One of the oldest and potentially the most valuable asset of the company is the former uranium producing property and mining plant in the township of Faraday, some 4 1/2 miles from Bancroft, Ontario. The property comprises 4,876 acres and was in continuous operation from April, 1957, to the end of June, 1964, producing nearly six million pounds of  $U_3O_8$ , worth \$54 million.

Operations were suspended upon completion of all sales contracts for uranium and the mine was allowed to flood.

Most of the mining and crushing equipment was sold. The concentrator, however, built in 1957 and able to handle 1,400 tons of ore per day, was maintained in good condition and is intact. All the other production buildings have also been maintained in good order.

At the time of the shut-down of the Faraday mine in 1964, ore reserves were estimated at 290,450 tons averaging 0.13%  $U_3O_8$ .

Under an option agreement, concluded on September 8, 1966 and granted to Federal Resources Corporation of Salt Lake City, Utah, that company agreed to spend an average of \$30,000 per month, up to a total of \$1,300,000, during the period from July 1, 1967 to July 1, 1970, on de-watering of the mine and further exploration of the property.

Federal Resources has completed de-watering of the mine and is currently engaged in a program of underground development designed to increase the presently known ore reserves. If Federal Resources completes this program and rehabilitates the mine and mill, it will have earned a 51% interest in the project. Faraday will retain 49% and in addition, will receive \$1 million from future profits.

Two headings are being driven from the bottom or 1200-ft. level. One is a drift intended to explore more fully the favourable areas on the 1200-ft. level, the other is a crosscut into the hanging wall of the structure and will serve as a base for diamond drilling to test the downward extension of the ore zone and the drilling from this crosscut is now in progress.

### Werner Lake Nickel Property

This nickel-copper property consists of 128 claims comprising 5,010 acres, and is situated in the Gordon Lake area of Kenora, Ontario.





A mining plant and concentrator with a rated capacity of 15,000 tons of ore per month, have been in continuous operation since October, 1962.

The property has not been fully explored. Proven, probable and indicated ore reserves, as at December 31, 1967, were 708,047 tons, averaging 1.18% nickel. Copper grades in the ore have averaged 45% of the nickel grade, with some platinum and palladium of an average net value of approximately \$1.25 per ton. Concentrates are being sold to the International Nickel Company of Canada Limited.

The mining and milling plant employs approximately 225 men, but the operation has been troubled by a shortage of competent miners. Output in 1967 was 214,536 tons of ore, resulting in metal sales valued at \$3.9 million.

#### Red Mountain Mines Limited

This is a private company which owns a producing molybdenite property, situated 1 1/2 miles north and west of the town of Rossland, southern British Columbia.

Of the five million shares of common stock outstanding, the vendor of the property, Torwest Resources (1962) Limited, holds three million common shares designated as Class "A"; two million common shares designated as Class "B" are held equally by Faraday and Canadian Nickel Company Limited, a wholly-owned subsidiary of International Nickel.

Operational management is in the hands of Consolidated Canadian Faraday.

The open pit mine and the concentrator with a capacity of 500 tons per day, have been in production since July, 1966.

International Nickel has agreed to purchase up to two million pounds of molybdenum sulphide per year for a period of five years, with options for renewals for further periods of five years.

As at December 31, 1967, proven ore reserves were estimated at 446,091 tons, probable reserves at 300,000 tons, totalling 746,091 tons of ore with an average grade of 0.33% molybdenite.

Molybdenite production is increasing steadily through gradual improvements in rate of milling.

#### Prairie Potash Mines Limited

Consolidated Canadian Faraday manages the operations of this company and owns approximately 33 1/3% of its outstanding stock. Canadian Nickel Company Limited



which holds slightly in excess of 50% of the issued capital stock, may, at any time, elect a majority of the board of directors and assume management. Prairie Potash holds rights covering 70,768 acres, in the province of Manitoba, immediately adjacent to the boundary with the province of Saskatchewan and approximately 40 miles north-west of Virden, Manitoba.

Although a substantial tonnage of potash-bearing material has been outlined by an exploration drilling program, current market conditions for potash do not warrant placing the property in production at the present time.

#### Western Mines Limited

Consolidated Canadian Faraday holds a modest share interest in Western Mines, a producing gold-silver-copper-lead-zinc property on Vancouver Island, B.C.

#### EXPLORATION PROJECTS

##### Arex Syndicate

Arex has staked some 700 claims on the north shore of the Gulf of St. Lawrence, Quebec province, where reconnaissance surveys have indicated interesting uranium showings. It is intended to start more detailed work on the ground in the spring. Faraday, Conwest Explorations, Frobex and Canadian Nickel Company each hold a 22 1/2% interest in the venture. Other interests hold the remaining 10%.

##### Rancon Syndicate

This syndicate has recently been formed by the same four major partners as are in Arex.

The purpose of Rancon is to conduct aerial prospecting for uranium in areas of interest.

##### Enex Uranium Ltd.

This is a private Alberta company which finances an exploration program for uranium undertaken by Crackingstone Mines Limited in the Beaverlodge area of Saskatchewan. Faraday, with others, participates in the financing of Enex.

##### Miro Mines Limited

Faraday has a 25% interest in the financing of this company, currently engaged in exploration for uranium in the Bancroft area, Ontario.

Faraday, itself, has recently staked claims in the same area.





Bernack Coppermine Exploration Limited  
Coppermine Area (N.W.T.)

Bernack Coppermine has been formed to carry out exploration of the Coppermine area, Northwest Territories. The four main participants are Faraday, Frobex, Conwest and Rayrock, each of whom has a 20% (approx.) interest in the venture.

The program of exploration is currently getting on the way on some 1,200 claims which were acquired recently by staking and options in the Coppermine area.

Henrietta Mines Ltd.

Faraday is participating in the financing of an underground drilling program at this potential copper-silver producer in the state of Colorado, U.S.A.

MANAGEMENT

OFFICERS:

ASHTON W. JOHNSTON, Toronto	President & Director
D. L. MARCUS, Ottawa	Executive Vice-President & Director
H. BRODIE HICKS, Toronto	Vice-President, Operations & Director
LESLIE E. WETMORE, Toronto	Secretary
WILLIAM M. O'SHAUGHNESSY, Toronto	Treasurer

OTHER DIRECTORS:

ARCHIBALD B. WHITELAW, Toronto	A member of the firm of MacDonald & MacIntosh, Barristers & Solicitors
JOHN K. McCAUSLAND, Toronto	Vice-President and Director of the investment firm of Wood, Gundy & Co. Limited
W. CLARKE CAMPBELL, Toronto	A member of the firm of Day, Wilson, Campbell & Martin, Barristers & Solicitors
G. PERLEY-ROBERTSON, Ottawa	A member of the firm of Gowling, MacTavish, Osborne & Henderson, Barristers & Solicitors
GEORGE T. SMITH, Toronto	Barrister & Solicitor, President of Siscoe Mines Limited and Camflo Mines Limited
JULES LOEB, Ottawa	Executive Director of M. Loeb Ltd.

Effective control is in the hands of the management group, with A.W. Johnston being the largest individual shareholder.





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# CONSOLIDATED CANADIAN FARADAY LIMITED

Suite 1600, 100 Adelaide Street West  
Toronto 1, Ontario

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that an Annual General Meeting of Shareholders of the Company will be held on Thursday, the 27th day of June, 1968, at the hour of eleven o'clock in the forenoon (Toronto time) at the Royal York Hotel, Toronto, Ontario, for the purpose of:—

- (a) receiving the annual report, the financial statement of the Company for the year ended December 31st, 1967, and the report of the auditors;
- (b) electing Directors;
- (c) appointing auditors and authorizing the directors to fix their remuneration;
- (d) transacting such other business as may properly be brought before the meeting, or any adjournment or adjournments thereof.

A copy of the said Annual Report including the financial statement and the Auditors' Report, has previously been mailed to all shareholders. A copy of a Proxy Statement and Information Circular accompanies this Notice.

DATED at Toronto this 13th day of June, 1968.

By Order of the Board,

L. E. WETMORE,  
Secretary.

# CONSOLIDATED CANADIAN FARADAY LIMITED

## ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD JUNE 27th, 1968

### PROXY STATEMENT AND INFORMATION CIRCULAR

#### SOLICITATION OF PROXIES

This proxy statement and information circular is furnished in connection with the solicitation by the management of Consolidated Canadian Faraday Limited (the Company) of proxies to be used at the annual general meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

The annual report of the Company for its fiscal year ended December 31st, 1967, including the financial statement, has been mailed to the Company's shareholders.

#### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE SECRETARY OF THE COMPANY.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

#### PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS, AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR.

#### VOTING SHARES

On June 13th, 1968, the Company had outstanding 2,537,015 shares without par value, each carrying the right to one vote per share. The Company does not know of any person or company owning, of record or beneficially, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company.

As of May 4th, 1967, Augustus Exploration Limited owned 31.14% of the then outstanding shares of The Canadian Faraday Corporation Limited and effectively controlled that Company. As of that date, Augustus Exploration Limited amalgamated with The Canadian Faraday Corporation Limited to form the present Company and the shares of The Canadian Faraday Corporation Limited owned by Augustus were cancelled as part of that transaction.

Only shareholders of record at the date of the said meeting will be entitled to attend and vote at the meeting.

#### ELECTION OF DIRECTORS

The board consists of nine directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not

contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the number of shares of the Company beneficially owned directly or indirectly by each of them, as of May 31st, 1968.

<u>Name</u>	<u>Principal Occupation</u>	<u>Shares Beneficially Owned</u>	<u>Became Director</u>	<u>Became Director of predecessor Company</u>
ASHTON W. JOHNSTON, P.Eng.	President of the Company.	63,682	1967	1953
DANIEL L. MARCUS	President, West Indies Plantations Limited, a real estate company, since January 1966; Executive Vice-President of the Company.	34,375	1967	1965
H. BRODIE HICKS, P.Eng.	Vice-President (Operations) of the Company.	1,000	1967	1965
JOHN K. McCAUSLAND	Investment Dealer — Vice-President and director, Wood, Gundy & Co. Ltd.	nil	1967	1956
ARCHIBALD B. WHITELAW, Q.C.	A member of the firm of Macdonald & Macintosh, Barristers and Solicitors, Toronto	nil	1967	1958
GEORGE PERLEY-ROBERTSON, Q.C.	A member of the firm of Gowling, MacTavish, Osborne & Henderson, Barristers and Solicitors, Ottawa	2,000	1967	1965
WILLIAM CLARKE CAMPBELL	A member of the firm of Day, Wilson, Campbell, Barristers and Solicitors, Toronto	10,000	1967	1961
GEORGE T. SMITH	Barrister and Solicitor — President, Siscoe Mines Limited	nil	1967	—
JULES LOEB	Executive—President, Loeb Variety Sales Ltd., Ottawa, Wholesaler and distributor of general merchandise	26,700	1967	—

Notes: (a) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

(b) Unless otherwise stated above, each of the above named persons has held the principal occupation or employment indicated for at least five years.

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No officer or director received aggregate remuneration in excess of \$30,000 during the year 1967.

<u>Name of individual or Identity of Group*</u>	<u>Capacity in which remuneration was received</u>	<u>Aggregate remuneration</u>
Directors and senior officers as a group (11 in all)	Directors and officers	\$119,400

\*In addition, Antell Securities Limited, of which A. W. Johnston is the sole stockholder, was paid \$30,000 during 1967 and \$12,500 from January 1st to June 13th, 1968 for consulting fees. The above figures include the operations of the predecessor companies, Metal Mines Limited, Augustus Exploration Limited and The Canadian Faraday Corporation Limited.



Under an actuarial pension plan now in force, the benefits are as follows:—

<u>Name of Individual or Group</u>	<u>Estimated Annual Benefits upon Retirement</u>
Directors and senior officers as a group (4 in all)	\$32,400

The estimated aggregate cost to the Company and its subsidiary in 1967 of such plan was \$4,262.

#### Options to purchase shares of the Company —

There were no options granted by the Company since January 1st, 1967. Pursuant to an Incentive Stock Option Plan established by Metal Mines Limited, a predecessor company, and assumed by the Company, the following options on shares of the Company are outstanding as at the date hereof, at an option price of \$2.60 per share resulting from the exchange ratio of two shares of Metal Mines for one of Faraday, exercisable not later than June 30th, 1975.

Ashton W. Johnston	35,000 shares
Daniel L. Marcus	13,125 shares
H. Brodie Hicks	12,500 shares
Leslie E. Wetmore	3,750 shares
William M. O'Shaughnessy	2,500 shares

The price range of the Metal Mines Limited shares on the Toronto Stock Exchange for the 30 days prior to July 21st, 1966, the date of grant of said options, was:

High — \$1.53	Low — \$1.42
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Since January 1st, 1967, options for 5,625 of such shares have been exercised for an aggregate purchase price of \$14,625.00. Options for 4,375 shares were exercised on November 30th, 1967 and options for 1,250 shares were exercised on February 14th, 1968. The price range of shares of the Company on the Toronto Stock Exchange was for the 30 days prior to

	<u>High</u>	<u>Low</u>
(1) November 30th, 1967	\$3.15	\$2.65
(2) February 14th, 1968	\$3.65	\$2.80

Similarly, pursuant to an Incentive Stock Option Plan established by Augustus Exploration Limited, a predecessor company, and assumed by the Company, there remain outstanding at the date hereof options on the Company's shares as follows:

H. Brodie Hicks	6,666 shares @ \$2.50 per share
W. Clarke Campbell	6,666 shares @ \$2.50 per share

exercisable not later than May 19th, 1970. The price of \$2.50 reflects the exchange ratio of 5 shares of Augustus for one of Faraday. The price range of the Augustus Exploration Limited shares on the Canadian Stock Exchange for the 30 days prior to May 19th, 1965, the date of grant of the options, was:

High — 34¢	Low — 29½¢
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#### APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Thorne, Gunn, Helliwell & Christenson have been auditors of the Company since inception by virtue of Letters Patent of Amalgamation on May 4th, 1967, and were auditors of the predecessor companies.

#### GENERAL

Information contained herein is given as of June 13th, 1968 except where otherwise stated. The Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.

On behalf of the Board of Directors,

June 13th, 1968.

L. E. WETMORE,  
Secretary.

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CONSOLIDATED CANADIAN FARADAY LIMITED

REVIEW OF THE ANNUAL MEETING OF SHAREHOLDERS



**TO THE SHAREHOLDERS:**

The annual meeting of the shareholders of your company was held on June 27, 1968, at the Royal York Hotel. This review will give those shareholders who were unable to be present in person the updated report of the officers and directors.

Representation in terms of number of shares represented was most gratifying. There were, however, only nineteen shareholders present in person inclusive of the directors. It is hoped that future meetings will see a larger attendance.

The president, A. W. Johnston, presided and brought the shareholders up-to-date on the affairs of the company as set out in the annual report. He advised the meeting that more ore had been located at the Werner Lake property. Reserves had increased by 60,000 tons after the milling of over 200,000 tons last year. He expressed optimism as to the ore potential of the property.

In reply to a question, Mr. Johnston reported that a letter of intent had been signed with Maskwa Nickel Chrome Mines Limited, a company controlled by Falconbridge Nickel Mines Limited, which provided that Faraday would place the Maskwa property into production. Total cost of this was estimated at some \$2,200,000 and would involve increasing the capacity of the Werner Lake mill to 1,200 tons per day. This would handle 700 tons from Maskwa and 500 tons from Werner Lake. Faraday would receive its money back out of the first proceeds of production from the Maskwa ore and thereafter profits would be split fifty-fifty. The Maskwa property has an orebody of approximately 1,350,000 tons diluted to a mining grade of 1.06% nickel and 0.34% copper. Estimated profit on the venture, as determined by an independent consultant, would be approximately \$3.50 per ton.

In response to questioning, Mr. Brodie Hicks, the vice-president in charge of operations, stated that on the Werner Lake property labor problems have had an adverse effect. Also, the grade of ore was decreasing and the increase in the price of nickel had not caught up to the increasing cost of operations. Nevertheless, the company expects 1968 profit to be comparable to that of recent years.

The Maskwa project would provide further benefits, inasmuch as part of the overhead of the Werner Lake operation would be assumed by Maskwa.

Mr. Johnston reported he was gratified with the results of exploration to date at the Bancroft uranium mine by Federal Resources which has the right to earn a 51% interest in the property by placing it into production. At this point Messrs. Nels Stalheim and Donald Peters, president and vice-president respectively of Federal Resources, were introduced.

One shareholder questioned the manner in which news on the Faraday property in particular, and the exploration program of the company in general, was disseminated to shareholders. Mr. Johnston pointed out that to release information hole by hole could be in some cases grossly misleading. He felt that the shareholder would have a better opportunity to evaluate his investment if a continuity of results was first established before any public announcement was made. On a show of hands those shareholders present indicated that they would like to see more information given to the shareholders, if necessary on a piecemeal basis, before continuity of results could be determined.



It was pointed out that a statement had been made by the management that the ore occurrences at the Bancroft property had been erratic. Mr. Hicks advised that orebodies have been irregular but that good continuity of ore was indicated between the 600- and 1,200-foot levels. Mr. Stalheim advised the meeting that his assessment of the property was that it could be considered economic as soon as a market of about \$8.00 per pound is reached. In his opinion, the Canadian market for  $U_3O_8$  lay in Europe and Japan until mid 1973 when the U.S. market will again be available to Canadian producers.

With regard to the Red Mountain Mine, Mr. Hicks reported that he did not expect much income during the current year due to the necessity of constructing a new tailings dam and the preparation of a new orebody for mining. At the present time, competition from Endako, British Columbia Molybdenum and Climax Molybdenum has forced a reduction in molybdenum prices. An attempt has been made to increase profits at Red Mountain by increasing its mill rate from 400 to 600 tons per day. Current reserves stand presently at 750,000 tons and there are excellent prospects of finding more ore.

In overall exploration activities, the company has retained its interest in the Arex Syndicate and the Newarex Syndicate as set out in the annual report. In the Coppermine area, Bernack Copper Mines Limited, controlled by Faraday, Frobex Limited, Conwest Exploration Co. Ltd. and Rayrock Mines Limited, each holding a 20% interest, had an exploration program well underway for the summer season. Frobex is manager of the company and will be in charge of releasing news.

The company's wholly-owned subsidiary, Bancroft Holdings Limited, whose results are unconsolidated in the financial statements of the company, continues to maintain its equity position in an apartment complex in the City of Fort Myers, Florida, adjacent to a substantial real estate development. This complex is self sustaining and, under the ground lease, the company has an option to purchase the fee for the sum of \$150,000. This sum is considerably less than the presently assessed value of the property.

Your directors are considering a recommendation by certain of the shareholders that the quarterly report contain further narrative information on the various activities of the company. Management was most gratified in the interest shown by those shareholders present.

On behalf of the board,

A handwritten signature in dark ink, reading "A. W. Johnston". The signature is written in a cursive, flowing style with a prominent initial "A" and a long, sweeping underline.

A. W. Johnston,  
President.

Toronto, Ontario,  
July 4, 1968

